

## **CHINA'S WTO ACCESSION; AMERICA'S CHOICE**

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Thank you very much.

Let me thank the National Planning Association for inviting me to meet with you today. The NPA is in some ways a unique organization, because – with a history stretching back to the New Deal – you bring a perspective and a long-term view which is often missing from our policy debates. And this is especially important for the topic I will take up today: China's accession to the WTO and permanent Normal Trade Relations.

### **TRUMAN'S CHALLENGE**

In fact, the challenge Harry Truman laid before the National Planning Association when he spoke here in February of 1949, remains of great relevance as we begin the debate on PNTR. He said then:

“We are in a different position now than we have ever been in our history, because we have become actually the international leaders in the welfare of the world as a whole... The job ahead of the United States of America, [is] to meet the responsibilities which we did not assume in 1918. We have it now again given to us. We must assume it. We must carry it out; and we are going to do just that...”

These are words of confidence and conviction, spoken from personal experience in Depression and war. And they were carried out in practice. Rather than embracing isolationism and repeating the mistakes of the past, between 1945 and 1949 Truman's Administration carried out a task of extraordinary historical importance, developing the policies and institutions that have ever since helped us to keep the peace and build a prosperous world:

- Collective security, reflected by the United Nations, NATO and our alliances with the Pacific democracies.
- Commitment to human rights, embodied by the Universal Declaration on Human Rights and a series of more recent Conventions.
- Open markets and economic stability, with the creation of the IMF and World Bank on the one hand, and the foundation of our modern trade policies in the General Agreement on Trade and Tariffs, or GATT, on the other.

As we meet today, we still benefit from their work. To look more directly at the trade policies, the work Truman and his colleagues began with the foundation of the GATT system has fostered what amounts to a fifty-year economic boom. Since then, the world economy has grown six-fold; per capita income tripled; and hundreds of millions of families worldwide have escaped from poverty. America, as the world's largest importer and exporter, benefits perhaps most of all from this work; but life improved throughout in the world: since the 1950s, world life expectancy has grown by twenty years; infant mortality dropped by two-thirds; and the threat of famine has been significantly reduced.

## **THE POLICY AGENDA**

This is the foundation on which our modern trade policies have built; and the Clinton Administration's policies are no exception.

Since 1993, we have gone on to negotiate nearly 300 separate trade agreements, which have substantially opened world markets and helped our exports reach nearly a trillion dollars in goods and services last year – 55% more than in 1992. We have a well-diversified trade portfolio: 1/4 of what we sell goes north to Canada; 1/5 to the South (2/3 of which goes to Mexico); the remainder is split between trans-Atlantic sales and trans-Pacific sales. And this in turn has helped our country build an economic record unlike any in our 225 years of history.

Our economy has been transformed. Trade is not the sole cause of this success, but it is a vital component. Our unemployment rate has fallen to its lowest level since 1970, when we last had 4% unemployment. Consider this: in 1970, trade as a fraction of GDP – the sum of exports and imports of goods and services divided by our nation's total output – was 13%. Today it is 31%. Then, at the height of the hot war in Vietnam and the Cold War with the Soviet Union, defense spending accounted for 8% of GDP. Today it accounts for 3%. We have accomplished since 1970 a shift from creating employment and structuring our economy through conducting and preparing for war to an economy driven by the more peaceful challenge of competing internationally on the economic front. Surely, Harry Truman would consider this a validation of his vision.

## **CHINA WTO ACCESSION**

Throughout this past half-century, however, the world's largest nation has been one of the critical missing elements in the network of open markets that have been brought under the rule of law and been part of the growth in shared prosperity. I speak, of course, of China.

If we think back again to 1949, we recall that this was the year when, with the Communist revolution, China shut the doors it had once tentatively opened to the world.

Among its new leaders' first steps were to expel foreign businesses from China (including, incidentally, my father and mother), and to bar direct economic contact between Chinese private

citizens and the outside world. Within China, the destruction of private internal trading networks linking Chinese cities and villages, abolition of private property and land ownership, and, of course, suppression of any right to object to these policies, led to three decades were some of the worst in China's very long history. China's isolation had international effects as well, as Asia's largest nation had little stake in prosperity and stability – and in fact, saw advantage in warfare and revolution – beyond its borders.

China today remains a repressive and authoritarian country. The union members protesting today against China's accession to the WTO are raising real and very important issues. The State Department's Human Rights Report documents a lamentable record of restrictions on freedom of speech and religion, suppression of labor rights and punishment of those who attempt to assert their rights in these areas. This is why we have sanctioned China as a "country of particular concern" under the International Religious Freedom Act, and why we will soon present a resolution raising concerns about China's human rights record to the UN Human Rights Commission.

But China is also not today the same country it was thirty years ago. Its domestic reforms since the 1970s have helped undo its economic isolation, integrating China into the Pacific regional economy as they opened opportunities for Chinese at home. Reform has reversed the most damaging policies of the Great Leap Forward and Cultural Revolution era, abolishing rural communes and enabling private business to revive in villages and cities. A number of earlier policies, notably bans on foreign investment and private export trade, have been substantially relaxed although not abandoned entirely.

This has had substantial and beneficial consequences: with respect to property rights, with farmers able to farm their own land, entrepreneurs able to start businesses, and families able to pass on their property to their children; openness to information, with Chinese citizens able to listen to foreign radio and TV and more recently to access foreign web-sites; and some aspects of freedom of association, as Chinese meet and exchange ideas with foreigners, as well as people from Hong Kong and Taiwan.

Internationally, trade policy has supported our security interests, by integrating China into the Pacific and world economies. This has strengthened China's stake in regional peace and stability, helping reformers to move away from the revolutionary foreign policy of the 1950s and 1960s. The consequences are of fundamental importance: while we have some very significant differences with China, we also recognize that China plays an important part in areas as various as the maintenance of peace in Korea, APEC, and the U.N. Security Council.

American trade initiatives in China over 30 years – the lifting of the trade embargo in 1972; our Commercial Agreement and grant of Normal Trade Relations in 1979; textile agreements in the 1980s; and the more recent agreements on market access, intellectual property, textiles and agriculture – have played an important part in all of this.

Within China, trade policy has helped to support economic reform and the rule of law – in some cases, given the rudimentary state of Chinese law in 1980, to build it from the ground up – meanwhile advancing American interests. To choose a case in point, our work on intellectual property rights since the early 1990s, has helped us to nearly eliminate manufacturing and export of pirate CDs and CD-ROMs. But it means more than this: to develop an intellectual property policy is to draft and publish laws; to train lawyers and officials; to improve and ensure access to judicial procedures; ultimately, to create due process of law where it did not exist before. The same is true, more recently, with our work with the Chinese Ministry of Agriculture to develop modern sanitary and phytosanitary procedures for trade in wheat, citrus, poultry and meats.

The WTO accession will be the most significant step in this process for at least twenty years. China has made a comprehensive set of commitments: opening its markets to our farm products, manufactured goods and services; strengthening our guarantees of fair trade; in summary, opening new opportunities and abolishing policies that drain jobs and investment across the board. In trade policy terms alone, this is an opportunity of vast consequence. It will open the markets of the world's largest nation in a way unprecedented since the 1940s, creating new opportunities for American farmers and businesses as it strengthens our guarantees of fair trade.

The significance of these commitments goes well beyond trade policy per se, to alter policies dating to the earliest years of the communist era:

- For the first time since the 1940s, foreign and Chinese businesses will be able to import and export freely from China.
- China will reduce, and in some cases remove entirely, state control over internal distribution of goods and the provision of services.
- China will enable, again for the first time since the 1940s, foreign businesses to participate in information industries such as telecommunications, including the Internet.
- And China will subject government decisions in all fields covered by the WTO to impartial dispute settlement when necessary.

These are remarkable victories for reformers in China. They give China's people more access to information. They weaken the ability of hardliners to isolate China's public from outside influences and ideas. And that is why some of the leading advocates of democracy and human rights in Hong Kong and China – Bao Tong, jailed for seven years after Tiananmen Square; Ren Wanding, a founder of China's modern human rights movement; Martin Lee, the leader of Hong Kong's Democratic Party – see this agreement as China's most important step toward reform in twenty years.

At the same time, internationally the WTO accession will deepen and speed the process of integration that has helped China become a more responsible member of the Pacific community. Importantly, it will facilitate the entry of Taiwan into the WTO. This will have substantial trade benefits, as Taiwan is already a larger export market for us than China. And the opening of both economies, while we have no guarantees, may ultimately play some part in easing the tensions in

the Strait. It should be no surprise, therefore, that Taiwan's new leadership supports both China's WTO membership and normalized trade between China and the United States.

## **PERMANENT NORMAL TRADE RELATIONS**

We have very substantial disagreements with China, and on some very profound issues. No trade agreement will ever solve all of them. But the WTO accession will help with many; and it will give us an opportunity to influence China's long-term development for the better. This brings me to permanent Normal Trade Relations and the debate we expect to take place on Capitol Hill the week of May 22.

China will be a WTO member soon. There is no question of that. It will have the same market access it enjoys today in the United States; there is no question of that, either. The only question, ironically, is whether we will receive the full benefits of the very agreement we negotiated.

By contrast to China's historic set of commitments, we do very little in this deal. As China enters the WTO, we make no changes whatsoever in our market access policies; in a national security emergency, in fact, we can withdraw market access China now has. We change none of our laws controlling the export of sensitive technology. And we amend none of our fair trade laws. Our sole obligation is to make China's current tariff levels permanent through PNTR.

In terms of our China policy, this is no real change. NTR is simply the tariff status we give virtually all our trading partners. We have given it to China since the Carter Administration; every Administration and every Congress since has reviewed it and found it, even at the periods of greatest strain in our relationship, to be in our fundamental national interest.

But the legislative grant of permanent NTR is critical. All WTO members, including ourselves, pledge to give one another permanent NTR to enjoy the full benefits of one another's markets. Were Congress to refuse to grant permanent NTR, we thus risk losing broad market access, special import protections, and rights to enforce China's commitments through WTO dispute settlement. Our Asian, Latin American, Canadian and European competitors will reap these benefits; but Americans would be left behind.

## **CONCLUSION**

In trade terms, therefore, to reject PNTR would simply be to damage ourselves: the direct victims would largely be American working people, farmers and entrepreneurs. And in the deeper sense, if we retreat at this most critical moment, the cost would go well beyond our trade interests.

Ultimately, by bringing China into the trading system; by supporting reform; by helping to strengthen the Chinese stake in a peaceful, growing and stable Asia; we are taking up the

responsibilities President Truman spoke of in 1949.

No trade agreement will ever solve all our disagreements, but this will address many of them. If we turn down a comprehensive set of one-way concessions, we make a very dark statement about the future possibility of a stable, mutually beneficial relationship with the world's largest country.

Such a statement would threaten our work on all the specific issues in our China policy agenda today – from non-proliferation and arms control, to reducing tensions in Korea and South Asia. It would complicate for the foreseeable future our existing Pacific alliances, as all of our Asian friends and allies would view rejection of PNTR as a turn away from the open, confident vision we have held for the Pacific over the years; and an unnecessary rejection of stable and constructive relations with their largest neighbor. Over the long term, and perhaps most important, China – seeing no economic reason for our decision – would become more likely to read hostile intent into our every move. This, in turn, would raise the prospect that our present disagreements and tensions will escalate into a broader confrontation of great consequence for every Pacific nation and for ourselves.

Through the WTO accession China will, not wholly but more completely than ever before, join the world of open markets, rule of law, and personal freedom. This is a development whose significance we cannot overstate. To turn away from this opportunity would be to lessen the chance that China will choose the right path in the years ahead; and to step back from a role of responsibility and leadership through which we have built a more prosperous, fair, and peaceful world. That is something we must not do.

These are the stakes as Congress prepares to vote. This is why the Administration is committed to permanent Normal Trade Relations status for China on the basis of this historic agreement. This is why it is so important that we succeed.

Thank you very much.